

revenues to the restoration of a metallic basis and by a law of June 12, 1907, provided for a new gold unit equal to the fifth part of the pound sterling. A new bank of issue was authorized in 1907 at Cartagena, to be known as the *Banco de Bolivar*, with a capital of \$500,000 and authority to issue notes to the amount of \$1,000,000. *

The secession of Panama from Colombia in 1904 left the new state to devise her own monetary system and banking laws. The serious task assumed by the United States in the construction of the Panama Canal made it of interest to that country that a sound currency system should be in operation in the Canal Zone, and it was proposed by the American Secretary of War that the money of Panama should be used if the system of the new republic should be put on a stable basis. This was agreed upon at several conferences held at the War Department in Washington between representatives of the United States and of the Government of Panama, in June, 1904, and the measure there outlined was perfected and enacted by the Panama Government on June 28, 1904.* By this agreement the gold currency of the United States was made legal tender in Panama and the money of Panama was made legal tender in the Canal Zone, under the authority •of the United States.

The silver unit adopted by Panama was the balboa of 25 grams (about 385.8 grains), nine-tenths fine, and its value was fixed at fifty cents in American gold. This value was to be maintained by limiting the quantity of coins and providing an exchange fund in New York, as under the Philippine system. The amount of new coin was fixed provisionally at \$1,500,000 (gold value), with authority for an additional issue up to \$1,500,000, if found necessary by the Canal Commission. Provision was made for calling in

¹ *Bulletin of the Bureau of American Republics*•, October, 1907, XXV., 855.

² The documentary history of these transactions is contained in the *Report of the Commission on International Exchange*•, 1904, 313-33.

The present writer represented the Commission, by invitation of the Secretary of War.